

PG&E's RPS Net Short Calculation Methodology

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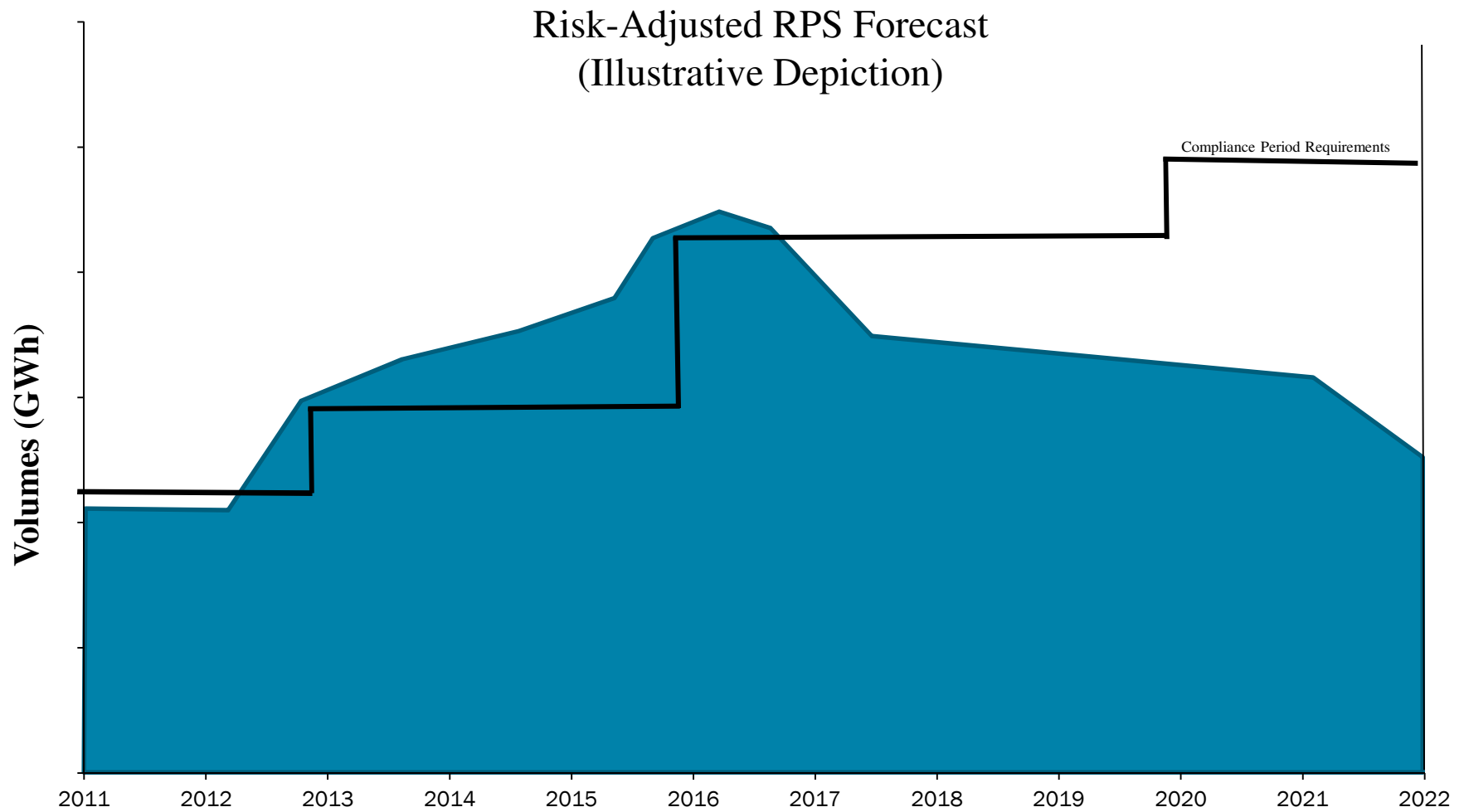




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Portfolio Outlook





Risk Assessment

Category	Assessed Risk
Completed and Under Construction	Low
Approved or Mandated	Low
Under Development	Medium
Closely Watched	High

“Closely Watched” Illustrative Criteria

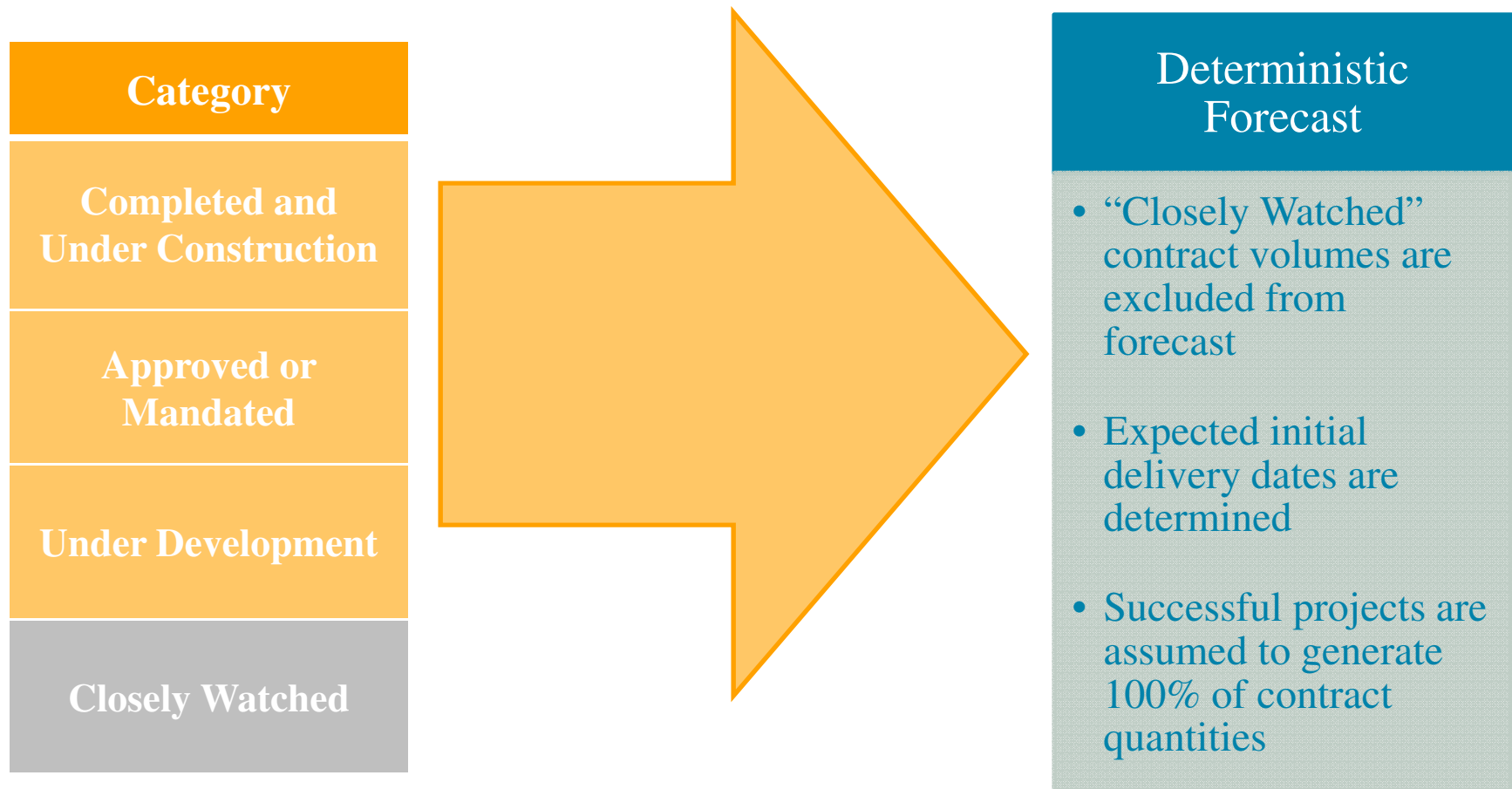
- Actual failure to meet milestones
- Anticipated failure to meet milestones
- Significant regulatory contract approval delays
- Amendment necessary to preserve project’s viability
- PPA amendment pending approval
- Plant has ceased operation

Risk assessments are based on (1) objective data collected through project monitoring activities and (2) best professional judgment of subject-matter experts.



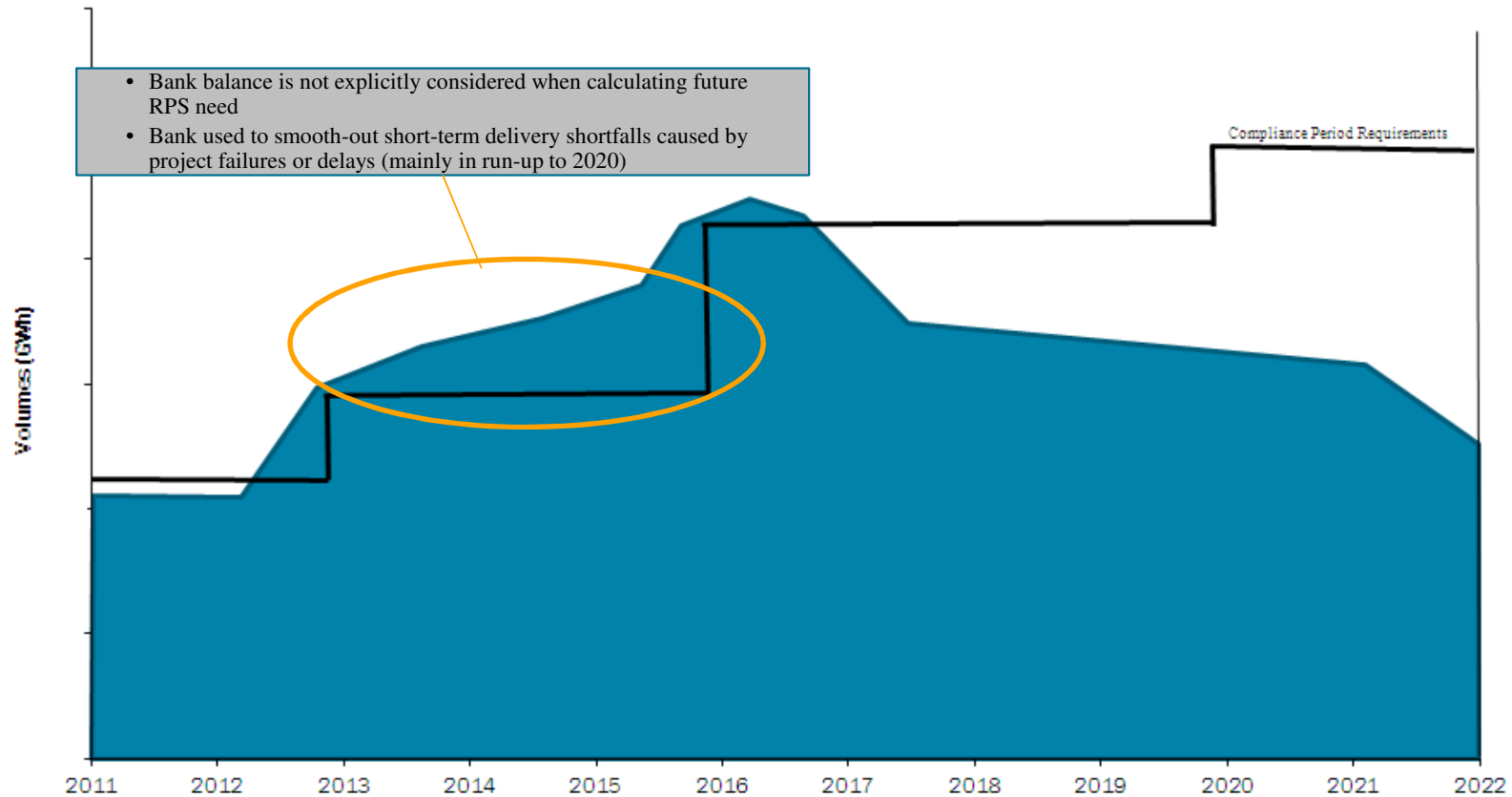
RPS Net Short Methodology

PG&E employs a deterministic methodology for developing risk-adjusted forecast of RPS-eligible deliveries.





Managing Supply/Demand Variability: Use of Surplus Bank



In the future PG&E may propose to procure an additional, voluntary margin of procurement, rather than relying on its surplus bank to manage long-term delivery shortfall.



Managing Supply/Demand Variability: Over-Procurement Margin

Over-Procurement (Statutory)

- Margin of procurement necessary to address anticipated project failures or delays
- Existing margin of over procurement is based on current estimate of long-term failure rate (~22%)
- PG&E does not currently, but *may* in the future, propose to over-procure future, incremental volumes
- Actual need will necessarily vary over time based on portfolio development
- Specific methodology should not be prescribed

Over-Procurement (Voluntary)

- Intended to address risk of variability in load and RPS deliveries unrelated to project failures or delays
- Separately, PG&E *may* seek to procure additional volumes



Challenges

Maintaining Confidentiality

- Project-specific assessments and underlying data

Dynamic Net Short Methodology and Results

- Allowance for evolution of risk assessment methodology
- Need for flexibility in quantifying need

Uniformity Across Planning and Policy Forums

- Need quantification approaches vary in appropriateness



Questions?

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